From:	Gary Fegel <gary@fegel.com>
To:	Ehud Barak <ehbarak1@gmail.com>
CC:	
Date:	Wed, 5/21/2014 5:59:54 PM
Subject:	Re: Goldman moves to offload metals warehouses

The Rusal case has helped them, because decision to change rules have been postponed. However, it is very clear niow that they will change as soon as legally possible.
Another development (and precedent) is the launch of the Aluminium contract on the CME - which includes the premium in the US. Therefore the price of the contract is a ¡°final¡± price. This allows participants to hedge both price and premium. QAnd, most importantly, they have to unload as much metal per day as they take in -. therefore no Q¡¯s. Also, the LME is considering to launch a premium only contract.
So, there is a lot in the making. The situation will normalise over the next 12 months. Which means
- much less income for warehouses
- less ability for warehouses to attract exchange metal
- a lot more metal stored off exchange
- less available contangoes
- premiums will normalise to levels below 100 (at least after stock in Flushing is gone)
- the LME 3-months price will go up (due to lower premiums and tighter contangoes).

No surprise Goldman realises that it is time for them to get out. However, who wants to buy a cash cow that is dying?

For Glencore/Pacorini the situation is different. Although their cash cow will also be severely wounded, they can still use it as a logistics hub for their traditional physical business.
best
Gary

On 20. May .2014, at 22:14, ehud barak wrote:

> Gary Hi
> Never a (really) dull moment. Notice Pacorini is still on longer cues than Detroit.
> Best
> EB
>
> I saw this article when using the Financial Times app and thought you might be interested:
>
> Financial Times,
> Goldman moves to offload metals warehouses
> --
> By Gregory Meyer in New York and Xan Rice in London
> --
> The bank paid about $540m for Metro International Trade Services in 2010 but its regulator is now reviewing banks¡¯ ownership of commodities
>
> Read the full article at: http://on.ft.com/1nlxEdG
>
>
> Sent from my iPad